

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY POWER )	
COMPANY FOR AUTHORITY TO ISSUE )	
AND SELL SECURED OR UNSECURED )	CASE NO. 95-401
PROMISSORY NOTES OF ONE OR MORE )	
NEW SERIES )	

O R D E R

In its original application of September 12, 1995, Kentucky Power Company ("Kentucky Power") requested authority to issue up to \$125,000,000 in new securities to pay at maturity or refund long-term debt, repay short-term debt, fund its construction program, and for other corporate purposes. The Commission found \$9,300,000 of Kentucky Power's construction budget related to planned construction of transmission facilities for which a Certificate of Public Convenience and Necessity was pending.<sup>1</sup> On November 8, 1995 and December 4, 1995, the Commission entered Orders authorizing Kentucky Power to issue and sell up to \$115,700,000 of its secured or unsecured promissory notes in one or more transactions through December 31, 1996 and to enter into one or more interest rate hedging arrangements, within the parameters set forth in the application, at any time prior to the maturity of the new issuances. If any senior secured notes are issued and sold, the Commission authorized Kentucky Power to issue first

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<sup>1</sup> Case No. 95-403, Application of Kentucky Power Company for a Certificate of Public Convenience and Necessity to Construct and Install Various Facilities to Reinforce the System in the Inez and Tri-State Areas, Order dated November 8, 1995.

mortgage bonds to secure the senior secured notes. Approval of the remaining \$9,300,000 was continued pending a decision on the application to construct transmission facilities.

On June 11, 1996, the Commission granted Kentucky Power a Certificate of Public Convenience and Necessity in Case No. 95-403. The Commission now finds the issuance and sale by Kentucky Power of up to \$9,300,000 in secured or unsecured promissory notes through December 31, 1996 are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved. The aggregate principal amount of securities authorized in this case is up to \$125,000,000.

IT IS THEREFORE ORDERED that:

1. Kentucky Power is authorized to issue and sell up to \$9,300,000 of its secured or unsecured promissory notes in one or more transactions through December 31, 1996 and to enter into one or more interest rate hedging arrangements, within the parameters set forth in the application, at any time prior to the maturity of the notes. The securities will be sold in a public offering through one or more agents or on a negotiated or competitive bid basis with one or more underwriters or agents, or in a private placement transaction utilizing the proper documentation. If any senior secured notes are issued and sold, authority is hereby granted to Kentucky Power to issue first mortgage bonds in the same principal amount as the senior secured notes issued, the sole purpose of said bonds being to secure the senior secured notes.

2. The financing authority granted herein is supplemental to that granted by Orders dated November 8, 1995 and December 4, 1995 and authorize in total up to an aggregate principal amount of \$125,000,000.

3. Kentucky Power shall agree only to such terms and prices that are consistent with the parameters set out in its application. If variable rate bonds are used, Kentucky Power shall prepare on an annual basis an analysis of the relationship between such variable rate bonds and fixed rate bonds at the time of the analysis. Such analysis shall be available for Commission review on an annual basis beginning with an initial calculation within 30 days after the closing of the financing approved herein.


4. Kentucky Power shall, within 30 days after the issuance of each series of notes, file with the Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate, purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution and the use of the proceeds.

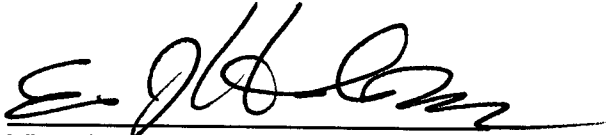
5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

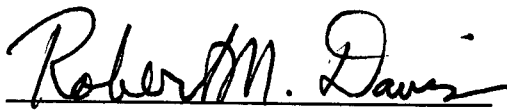
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 14th day of June, 1996.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director